CALZATURIFICIO F. LLI DANIELI S.P.A.

v.

M.J. INDUSTRIES (M) SDN. BHD. & ANOR.

HIGH COURT MALAYA, KUALA LUMPUR
ZAKARIA YATIM J
[CIVIL SUIT NO. C 4738 OF 1985]
12 FEBRUARY 1987

CIVIL PROCEDURE: *Ex parte application to set aside interim injunction and an Anton Piller order - Whether there was a serious question to be tried - Balance of convenience.*

The plaintiffs were manufacturers of sports goods bearing the trademark consisting of the word DIADORA and a forked device. The plaintiffs appointed Maju Jaya Industries Pte. Ltd. as their exclusive distributor for their products in Malaysia. By another agreement, the plaintiffs authorised Maju Jaya Industries Pte. Ltd. to manufacture and produce under licence sports clothings and accessories (not including shoes) bearing the said trademarks. Maju Jaya Industries Pte. Ltd. appointed Maju Jaya Industries Sdn. Bhd. to distribute the plaintiffs' products with the said trademark in Malaysia.

Later, the right of distribution of Malaysia and the licence right of manufacture granted to Maju Jaya Industries Pte. Ltd. were terminated. The right of distribution to the 1st defendants was also terminated.

In May 1985, it was brought to the attention of the plaintiffs that the 1st defendants despite the termination of the rights continued to manufacture the plaintiffs products with the trademark. The 1st defendants had also appointed Cougar Industries Sdn. Bhd. to manufacture shoes bearing the said trademark which were in actual fact not even manufactured by the plaintiffs. The plaintiffs alleged that the defendants were passing off their shoes and other products as and for the plaintiffs products and had been misrepresenting the plaintiffs' trademark and get-up.

The plaintiffs' applied and were successful in obtaining an injunction to restrain the defendants from doing several acts connected with their trade. They also succeeded in obtaining an Anton Piller order against the defendants.

In this case the 1st and 2nd defendants applied to set aside the interim injunction and the Anton Piller order obtained by the plaintiffs against them on 21 August 1985.

Held:

[1] The plaintiffs had a strong *prima facie* case against the defendants. The act of the defendants in passing off their goods as the goods of the plaintiffs after the expiry of the agreements was a misrepresentation and such passing off would likely injure the goodwill and reputation of the plaintiffs in respect of their goods.

[2] On the balance of convenience, it was in the favour of the plaintiffs. If the injunction was not granted the plaintiffs would suffer irreparable harm to their trade, goodwill and reputation because the defendants would unscrupulously continue manufacturing and marketing goods to the detriment of the plaintiffs. If the injunction was granted the defendants would not suffer irreparable damage since they were only licensees.

[3] The plaintiffs had a strong *prima facie* case which justify the order for Anton Piller. The plaintiffs would suffer irreparable damage if the Court did not agree to grant the order. If notice of the proceedings was given to the defendants the plaintiffs were fearful that this would enable the defendants to dispose of all or a great majority of their stocks in the open market. These fears of the plaintiffs were justified.

[Application dismissed with costs.]

Cases referred to:
American Cynamid v. Ethicon Ltd. [1975] AC 396
Bank Bumiputra Malaysia Bhd. & Anor. v. Lorrain Osman & Ors. [1985] CLJ (Rep) 409

For the plaintiffs - S.F. Wong; M/s. Shearn Delamore & Drew & Napier.
For the 1st defendants - Nora Lam; M/s. Megat Najmuddin Leong & Co.
For the 2nd defendants - Yong Boon Swee; M/s. C.K. Lee, Shukor & Partners

JUDGMENT

Zakaria Yatim J:

There were two similar applications by the first and second defendants seeking the order of the Court firstly, to set aside an order granted by the Court on 21 August 1985 on the *ex parte* application of the plaintiffs; secondly, to return all the goods taken by the plaintiffs pursuant to the *ex parte* order; thirdly that the plaintiffs provided security for costs; and finally the costs of the application. During the hearing of the applications, Counsel for both defendants asked to amend their applications by including an additional prayer that pursuant to the setting aside of the order granted by the Court on 21 August 1985, damages would be awarded to the defendants. Counsel for the plaintiffs had no objection to the application and I allowed the applications.

With regard to the security for costs, it was agreed that by the consent of the parties, the plaintiffs should provide a security for costs in the sum of RM100,000 for both the defendants. The plaintiffs would send a telex giving undertaking for security for costs within one week. The plaintiffs' solicitors would give solicitors' undertaking upon receipt of the RM100,000 for the plaintiffs within three months.

I shall now deal with the application to set aside the *ex parte* order.

The *ex parte* order restrained the defendants by an Interim injunction from doing the following acts;

(a) passing-off and/or attempting or pass-off sports clothings and accessories including sports shoes of all kinds not the sports clothings and accessories including sports shoes of the plaintiffs as and for the sports clothings and accessories including sports shoes of the plaintiffs by the use in connection therewith in the course of their trade be it manufacture, distribution, sales or offer for sales of the aforesaid products trademarks consisting of the word DIADORA and the forked device whether in isolation or together as is more specifically represented in the Schedule hereto and/or any other wordmark or get-up which is phonetically, confusingly, colourabaly or deceptively similar to the aforesaid trademarks.

(b) causing, enabling or assisting others to pass off or attempting to pass-off sports clothings and accessories including sports shoes of all kinds not the sports clothings and accessories including sport shoes not of the plaintiffs' manufacture, distribution and sales as and for the sports clothings and accessories including sport shoes of the Plaintiffs' manufacture, distribution and sales by the use or in connection therewith in the course of their or any others trade and or business a trade mark consisting of the word DIADORA and the

forked device whether in isolation or together as is more specifically represented hereto and/or any other workmark or get-up which is phonetically, confusingly, colourabaly or deceptively similar to the aforesaid trademarks.

The order also required the defendants to deliver and surrender to the plaintiffs all sports clothings and accessories including sports shoes bearing the trade marks consisting of the word DIADORA and the forked device. The *ex parte* order also contained an Anton Piller order against the defendants.

In considering the defendants' applications to set aside the injunction the Court had to examine whether there was a serious question to be tried. See *American Cynamid v. Ethicon Ltd.* [1975] AC 396 at 407.

In the statement of claim the plaintiffs based their claim on passing-off and not on infringement.

In his affidavits dated 2 August 1985 in support of the *ex parte* application, Mr. Luigi Rebellato, the export manager of the plaintiffs (a foreign company based in Italy) averred as follows: The plaintiffs were the manufactures of sports goods. Their goods bore the trade mark consisting of the word DIADORA and a forked device. The plaintiffs had used the trade mark world wide for more than ten years. On 1 February 1981, the plaintiffs appointed Maju Jaya Industries Pte. Ltd. of No. 60, Owen Road, Singapore, their exclusive distributors for the said products bearing the said trade mark in Malaysia. On the same date the plaintiffs concluded an agreement authorising Maju Jaya to manufacture and produce under licence in Malaysia sports clothing and accessories (not including shoes) bearing the said trademark for a period of three years from 1 January 1982 to 31 December 1984. By a further agreement dated 1 December 1984, the plaintiffs extended the exclusive distribution rights of Maju Jaya in respect of the said products. Sales of the plaintiffs' said products bearing the said trade mark in Malaysia had been extensive. The plaintiffs, by using and making known extensively both internationally and locally by way of promotions of the said trade mark had caused the mark to be associated and identified with the business and name of the plaintiffs. The plaintiffs were therefore entitled to the exclusive use of the trade mark in connection with their products. The plaintiffs had acquired reputation and goodwill associated with their products bearing the said trade mark. The plaintiffs' products with the said trade mark were distributed by M.J. Industries Sdn. Bhd., the first defendants, who were appointed by Maju Jaya Industries Pte. Ltd. On 20 May 1985, the right of distribution accorded to Maju Jaya Industries Pte. Ltd. was terminated under the agreement. The right of distribution in Malaysia by the first defendants was similarly terminated on the same date. The licence right of manufacture granted to Maju Jaya Industries Pte. Ltd. expired on 31 December 1984. In May 1985, it was brought to the attention of the plaintiffs that the first defendants, despite the termination of the rights continued to manufacture for sales and distribution the plaintiffs' said products with the said trade mark. It was also discovered that the first defendants were selling shoes with the said trade mark which were not manufactured by the plaintiffs. The first defendants appointed Gougar Industries Sdn. Bhd., the second defendants, the manufacturers of their offending products. The plaintiffs alleged that the defendants were passing-off their shoes and other products as and for the plaintiffs' products and had been misrepresenting the plaintiffs' trade mark and get-up. From their investigation the plaintiffs discovered that the second defendants were manufacturing large quantities of DIADORA shoes for the first defendants.

The first defendants in their affidavit affirmed on 6 September 1985 by Abdul Hamid, the Managing Director averred as follows: He said that in Singapore the trade mark DIADORA and the wing symbol was the registered trade mark of a company known as Uncle Choo Holdings Pte. Ltd. In Malaysia Uncle Choo Holdings had submitted an application in respect of trade mark DIADORA and wing symbol but the application was still pending registration. The first defendants stated that in the Philippines, Indonesia and Thailand the trade mark DIADORA had been registered in the name of different companies other than the plaintiffs. The first defendants denied that they or Uncle Choo Holdings had any relationship with the plaintiffs. The first defendants claimed to have the right to distribute the products bearing the trade mark DIADORA and wing symbol by virtue of an agreement concluded with Uncle Choo Holdings. The first defendants denied any knowledge of the agreements alleged to be signed between the plaintiffs and Maju Jaya Industries Pte. Ltd. They claimed that the promotion, advertising and marketing of the mark DIADORA was done for the benefit of the first defendants under an agreement concluded with Uncle Choo Holdings. The first defendants claimed that they were rightly and legally the rightful users of the mark DIADORA. They claimed that they had been operating since 1982.

The second defendants' affidavit was affirmed on 17 September 1985 by Mr. Long Hion San, the Director of the second defendants' company. His affidavit was quite similar to the affidavit of the first defendants. He said that the first defendants had concluded a licence agreement with Uncle Choo Holdings. According to him Uncle Choo Holdings had applied to register the trade mark DIADORA in Malaysia. In view of the licence agreement and since the registration of the said trade mark was pending he accepted orders to manufacture jogging shoes from the first defendants. He added that his company only manufactured the shoes but did not market or sell the shoes in the open market.

After considering all the relevant affidavits filed by both parties, I came to the conclusion that there was a serious question to be tried. The plaintiffs' claim as stated in their writ was not frivolous or vexatious. From the affidavit of the plaintiff it is evident that they are the proprietors of the trade mark DIADORA with the fork device. The plaintiffs are the proprietors of the said trade mark and device. The trade mark and device were associated with the plaintiffs and the plaintiffs had acquired reputation and goodwill in Malaysia in respect of their products bearing the said trade mark. The get-up of the plaintiffs' goods had become so distinctive of their goods that it is associated and identified with them.

The defendants claimed that they were under licence agreement for Uncle Choo Holdings. But in a letter written on 30 May 1985 by the solicitors of the first defendants to the solicitors of the plaintiffs, it was stated,

> Further our clients were also informed by Uncle Choo Holdings that your clients have given their consent to our clients to manufacture under and use the name DIADORA on the goods.

This was a clear acknowledgement that the plaintiffs were the proprietors of the trade mark. The act of the defendants in passing-off their goods as the goods of the plaintiffs, after the expiry of the agreements, was a misrepresentation and such passing-off would be likely to injure the goodwill and reputation of plaintiffs in respect of their products. I do not think the second defendants were an innocent party in this matter. On 27 May 1985 they were told by the plaintiffs, in a telegram that to produce shoes bearing the plaintiffs' trade mark would be producing imitations. In my judgment the plaintiffs had a strong *prima facie* case on an action of passing off against the defendants.

On the balance of convenience I found that the balance should be decided in favour of the plaintiffs. If the injunction was not granted the plaintiffs would suffer irreparable harm to their trade, goodwill and reputation because the defendants would unscrupulously continue manufacturing and marketing their imitation goods to the detriment of the plaintiffs. If the injunction was granted the defendants would not suffer irreparable damage. After all they admitted they were only licensees. Uncle Choo Holdings, whom the defendants claimed to be the proprietors of the trade mark and device would be the one who would suffer damage. But the injunction did not apply to Uncle Choo Holdings. It only applied to the first defendants who were only licensees and the second defendants.

I shall next deal with the Anton Piller order. In my judgment in *Bank Bumiputra Malaysia Bhd. & Anor. v. Lorrain Osman & Ors.* [1985] CLJ (Rep) 409 I stated that the Court had to be satisfied with the requirements for granting an Anton Piller Order. At p. 426 of the judgement I said,

> The law relating to this type of order was laid down in the case of *Anton Piller KG v. Manufacturing Processes Ltd. & Ors.* In that case the English Court of Appeal held that where plaintiffs had a very strong *prima facie* case, actual or potential damage to them was very serious and there was clear evidence that the defendants possessed vital material which they might destroy or dispose of so as to defeat the ends of justice before any application *inter partes* could be made, the Court had inherent jurisdiction to order defendants to permit plaintiffs' representatives to enter defendants' premises and to inspect and remove such material.

I have already found that the plaintiffs had a strong *prima facie* case. The plaintiffs would suffer irreparable damage if the Court did not grant the order dated 21 August 1985. When the plaintiffs discovered that the defendants were passing-off their goods as the goods of the plaintiffs, the plaintiffs were "fearful that if the defendants are given notice of these proceedings before any order is made they will easily be able to dispose of all or the great majority of their stocks to open market." See para. 31 of the affidavit of Luigi Rebellato affirmed on 2 August 1985. In my opinion, the fears of the plaintiffs in the present case were justified.

For the reasons stated above, I dismissed the applications of both the defendants to set aside the order granted against them on 21 August 1985 with costs.

Also found at [1988] 1 CLJ 314